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**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION**

PRE-FILED STAFF REPORT

**EX-PARTE: IN THE MATTER OF ADOPTING
ADDITIONS AND AMENDMENTS
TO THE COMMISSION'S RULES GOVERNING
THE FILING OF RATE INCREASE APPLICATIONS**

CASE NO. PUA990054

NOVEMBER 9, 1999

(Note: this electronic document does include the accompanying schedules.)

I. Introduction

On September 14, 1999, the Commission issued an order directing Staff to file a report recommending amendments and additions to the filing requirements for rate increase applications and annual informational filings for investor-owned utilities and electric cooperatives. The Commission observed that a considerable period of time has passed since a comprehensive review of the rate case rules has been conducted. Further, the Commission recognized that changes to its current rules might be necessary due to changes in the Virginia Code, specifically the Virginia Electric Utility Restructuring Act (“Restructuring Act”), which became effective on July 1, 1999. The Commission noted that the evaluation of proposed rates and the additional Commission duties set forth in the Restructuring Act may require information that is either different or in a different format from that currently required.

The Order specifically referenced two sets of rules applicable to utilities: (1) Rules Governing Utility Rate Increase Applications and Annual Informational Filings (“Rate Case Rules”) adopted by the Commission in Case No. PUE820056 and later modified in Case No. PUE850022; and (2) Rules Governing Streamlined Rate Proceedings and General Rate Proceedings for Electric Cooperatives (“Cooperative Rules”), adopted in Case No. PUE930054. These rules limit consideration of rates to a proforma¹ or a rate year level.

Virginia Code §56-582 of the Restructuring Act caps the rates of electric investor-owned utilities (“IOU”) as well as electric cooperatives at the levels in effect as of July 1, 1999. Electric utilities, with the exception of Virginia Electric and Power Company, may file an application with the Commission prior to January 1, 2001, to modify their capped rates. Virginia Code §56-

¹ The proforma year is the twelve-months subsequent to the test year while the rate year is the twelve-month period beginning with the effective date of rates.

582 instructs the Commission to consider on a forward-looking basis the justness and reasonableness of rates effective through July 1, 2007.

As directed by the Commission, Staff has conducted a comprehensive review of the current rate case rules pertaining to all investor-owned utilities and electric cooperatives. Staff proposes various changes to the current rules, the most substantial of which is the requirement for filing earnings test data annually. Additionally, Staff proposes Electric Utility Restructuring Act Addendums to be applicable to electric IOUs and Cooperatives until July 1, 2007. Subsequent to July 1, 2007, electric utilities will no longer be required to file the schedules included in the addendums. Staff's report presents the following proposed filing requirements and schedules:

Appendix A	Rules Governing Utility Rate Applications and Annual Informational Filings for Investor-Owned Utilities including applicable schedules
Appendix B	Electric Utility Restructuring Act Addendum - Electric Investor Owned Utilities including applicable schedules
Appendix C	Rules Governing Streamlined Rate Proceedings and General Rate Proceedings for Electric Cooperatives including applicable schedules
Appendix D	Electric Utility Restructuring Act Addendum - Electric Cooperatives including applicable schedules

A discussion of filing requirements, new proposed schedules and significant changes to existing schedules follows.

II. Proposed Filing Requirements for Public Utilities

Staff proposes several new rules applicable to both investor-owned utility and electric cooperative filing requirements. The first proposal addresses the numerous requests recently

received for proprietary treatment of testimony and schedules. Time spent processing such requests substantially decreases time available for analysis by Staff and parties.

A recent example of this involves a fuel factor filing. Generally, fuel factor cases are reviewed and disposed of by the Commission within six weeks. An applicant made its filing six weeks prior to the proposed effective date of the change in fuel rates as required by the Commission's rules; however, a significant portion of the data was filed with a request that it be kept confidential. This data was maintained in the Clerk's office under seal and was not available for Staff to review.

Staff understands that as we move to a competitive generation market, companies will argue that certain data is competitively sensitive. However, proprietary treatment of data should not be allowed to impede the review process conducted by Staff and parties to the various cases. Any filing made pursuant to these rules must not be deemed complete unless Staff can review all data. Staff proposes the addition of Rule A.5.f. to the Rate Case Rules, and Rule B.9. to the Cooperative Rules as a means to encourage utilities to finalize details associated with the proprietary treatment of testimony and data prior to making their filing.

Second, Staff proposes Rule A.10. to the Rate Case Rules and Rule G. to the Cooperative Rules to clarify the point that filing requirements limit applicants and do not limit Staff or parties from raising issues that the applicant has not addressed. The Commission has addressed this issue in various cases since the current rules were adopted. Staff believes it is appropriate to include the Commission's findings on this issue in the rules.

Third, Staff adds a subsection to both the Rate Case Rules (subsection D) and the Cooperative Rules (subsection E) to address the additional filing requirements to be effective through 2007. As stated above, the Restructuring Act requires that the Commission consider on

a forward-looking basis the justness and reasonableness of rates through July 1, 2007. It also requires the functional unbundling of rates. The information necessary to carry out these duties is not provided for under the current Rate Case and Cooperative Rules. Further, additional supporting documentation such as projected financial statements will be necessary for Staff's analysis of company filings. Therefore, Staff recommends that additional schedules be filed by companies seeking rate relief pursuant to the Restructuring Act. These schedules are included in the Appendices and discussed below.

Fourth, Staff proposes that all utilities and electric Cooperatives file annual earnings tests. For investor-owned utilities, Staff adds this as a general requirement. For the Cooperatives, it is added during the period of transition to a competitive generation market. The requirements of an earnings test are discussed later.

The fifth proposed change affecting both the Rate Case and Cooperative Rules relates to temporary rate increases filed pursuant to §56-245 of the Code of Virginia. Staff proposes adding minimum filing requirements for such petitions. For investor-owned utilities, Staff proposes that historical financial data (Schedules 1-7) and earnings test information (Schedules 9-16) accompany requests for temporary rate increases. For electric Cooperatives, Staff proposes the minimum filing requirements of Schedules 1, 2 and Columns (1) - (5) of Schedule 3. This information will provide the Commission a minimum amount of financial data supporting the urgency of the applicant's need. Further, it will provide a foundation for a more in-depth investigation.

Sixth, Staff proposes Rule A.11. to provide the Commission the ability to waive any or all parts of the rate case rules for good cause shown. This rule is added only to the investor-owned utility rules, as it is already a part of the rules for electric cooperatives.

One final change to the Cooperative Rules is the placement of a current rule. Staff proposes moving the first sentence of the second paragraph of current Rule C.2. to Proposed Rule A.8. Subsection C relates specifically to streamlined rate filings. However, the sentence "An application shall not be deemed filed under §56-238 of the Code of Virginia unless it is in full compliance with these rules" applies to both streamlined and general rate cases. Therefore, Staff believes it should be included in subsection B.

III. Rules Governing Utility Rate Increase Applications for Investor Owned Utilities

Schedule 1 - Historic Profitability and Market Data

Changing the comparative data from "the four most recent calendar years" to "the four prior fiscal years" is the principal change to Schedule 1. The definitions remain the same and format is changed only to accommodate a mix of pre- and post-2000 information. Some companies, particularly natural gas companies, have shifted their annual financial statements from a calendar year basis to a fiscal year basis. Financial statements that reflect the quarter, rather than the year ended in December, often contain comparative information for three-month and six-month periods only. The change from calendar to fiscal year makes it easier to verify information in the schedule with comparative information obtained from public financial statements for successive twelve-month periods.

Schedule 2 - Interest and Cash Flow Coverage Data

The primary change to this schedule is the elimination of SEC and Indenture interest coverage ratio information. The pre-tax interest coverage ratio is the primary interest coverage measure used by bond rating agencies and cited in financial reports. The SEC interest coverage

method is somewhat redundant in that it produces coverage ratios that closely follow those produced by the pre-tax interest coverage method. With respect to the Indenture Method, its importance has diminished as many companies have shifted away from secured debt to unsecured debt. Consequently, Staff believes that the information required for this Schedule can be streamlined by omitting the SEC and Indenture interest coverage data without any significant loss of information. Accordingly, the instructions, definitions, and format reflect the omission of this information. Again, the schedule format is also changed to accommodate a mix of pre- and post-2000 information for comparative data for prior fiscal years.

Schedule 3 - Capital Structure and Cost of Capital Statement – Per Books and Average

The most significant change to this schedule is the addition of a 6th column to reflect a 13-month average capital structure. This change is made to provide the average capital structure information necessary to conduct an earnings test. The instructions and format of this schedule are changed to accommodate a mix of pre- and post-2000 information for comparative data for prior fiscal years rather than calendar years. Reference to cost-free capital is omitted since it no longer applies to any Virginia-regulated utilities. However, Schedule 3 includes an "Other" category to accommodate any prospective additions to components of the capital structure. The reference to the appropriate schedule to reflect proposed changes in the cost of equity capital and/or capital structure is changed from Schedule 36 to Schedule 8, to be consistent with other revisions.

Schedule 4 - Schedules of Long-Term Debt, Preferred and Preference Stock, Job Development Credits, and Any Other Component of Ratemaking Capital

Changes to this schedule incorporate disclosure requirements for financial derivative/hedging instruments associated with securities reflected therein. In addition, reference to a detailed breakdown of cost-free capital items is omitted, consistent with its omission from Schedule 3. It is replaced with a detailed breakdown of job development credits to preclude the necessity of a data request or interrogatory for that information. The addition of a thirteen-month average test year capital structure in Schedule 3 further necessitates supporting schedules for each of the thirteen months.

Schedule 5 - Schedule of Short-Term Debt, Revolving Credit Agreements, and similar Short-Term Financing Arrangements

Currently, the Rules in Case No. PUE850022 require short-term debt to be based on an annual average (13-month or 12-month daily) balance and cost rate. For many years now, Staff has recommended and the Commission has ordered the application of a current, three-month average cost rate for short-term debt to an average annual balance. To accommodate this change and add flexibility to this rule, Staff proposes to modify this rule to require a cost rate and balance consistent with the methodology approved in applicant's last rate case. Different methods for calculating the balance and cost rate may be supported in the proposed Schedule 8. As with the proposed Schedule 4, this schedule includes the addition of disclosure requirements for financial derivative/hedging instruments associated with short-term debt.

Schedule 6 - Public Financial Reports

The filing requirements for an Annual Report and SEC Form 10-K and Form 10-Q Reports are combined in this schedule to replace the separate requirements defined under Schedules 9 and 10 of the Rate Case Rules adopted in Case No. PUE850022.

Schedule 7 - Comparative Financial Statements

Frequently the comparative financial statements that are now required in Schedules 6, 7, and 8, may be found in the public financial statements as set out in the proposed Schedule 6. To avoid redundancy, this schedule is proposed to make the provision of comparative financial statements conditional on whether such statements are already provided in the public financial reports required under the proposed Schedule 6. It also combines the requirements previously set out under the three schedules into one schedule. If the public financial statements required in the proposed Schedule 6 do not provide comparative financial statements for the test year and the prior 12-month period, then such comparative statements must be provided in this schedule.

Schedule 8 - Proposed Cost of Capital Statement

Under the Rules adopted in Case No. PUE850022, applicants filing a general rate case may propose changes to the previously authorized cost of equity and capital structure methodology in Schedule 36. That same option is now provided under the proposed Schedule 8.

Schedule 9 - Rate of Return Statement – Earnings Test
Schedule 10 - Net Original Cost Rate Base – Earnings Test

The Commission has allowed utilities to defer for future recovery prudently incurred extraordinary costs such as storm damage or restructuring expenses. The Hearing Examiner's report in Virginia Electric and Power Company's Case No. PUE870014 first addressed the issue of establishing a mechanism to evaluate a company's current earnings to determine if extraordinary costs had been recovered through rates. However, an earnings test was not a common element of the ratemaking process until the Commission addressed recovery of Postretirement Benefits other than Pensions ("OPEB") in Case No. PUE920003². The Final Order dated December 30, 1992, allowed deferral of OPEB costs only if a company was earning below its authorized range on common equity.

Since the Commission's decision in the OPEB case, establishment of regulatory assets has been contingent upon a determination through the earnings test that the utility has not recovered an extraordinary cost. In the majority of rate cases and Annual Informational Filings ("AIF"), Staff requests an earnings test if the utility's application did not include an earnings test. The earnings test has become a part of the ratemaking process. In fact, Virginia Electric and Power Company and Appalachian Power Company included earnings test as a part of their respective regulatory plans. Moreover, several electric and natural gas companies have been ordered to file earnings test if seeking to establish new regulatory assets.

Staff recommends including the earnings test and supporting schedules as part of the Rules Governing Utility Rate Increase Applications and Annual Informational Filings even if

² Ex Parte, In re: Consideration of a rule governing Accounting for Postretirement Benefits other than Pensions.

a utility does not have any regulatory assets established by the Commission. This allows Staff to determine whether any extraordinary costs were incurred during the test year. If extraordinary costs were incurred, Staff will have the information necessary to analyze and recommend to the Commission that either such costs be deferred for future recovery or be deemed recovered. Staff's report will further discuss the usefulness of earnings test information as it relates to the Restructuring Act in Schedule 44.

Schedule 11 - Earnings Test Expense Recovery

As proposed, Schedule 11 calculates the amount of deferred expenses that can be written-off while maintaining earnings within the authorized equity range. For utilities that have Commission approved alternative regulatory plans, the benchmark established in such plan should be used for determining excess earnings in Schedule 11.

Since this schedule does not calculate the revenue requirement effect, it is important to note that the gross-up factor should be the individual federal income tax rate associated with each regulatory asset to be written-off. This schedule is necessary for all companies with established regulatory assets and/or those companies seeking to defer costs.

Schedule 12 - Schedule of Regulatory Assets

Currently, some regulatory assets are included for financial purposes, while others are established and tracked only for regulatory accounting purposes. This schedule will provide the Commission a summary of all costs deferred for future recovery.

Schedule 13 - Detail of Earnings Test Adjustments

This proposed schedule is similar to the Explanation of Adjustments to Book Amounts currently filed as Schedule 14 by utilities in rate applications as well as AIFs. Each regulatory accounting adjustment should be detailed on this schedule.

Schedule 14 - Reconciliation of Changes in Earnings - Earnings Test

As discussed previously, the benchmark established in Commission approved in an alternative regulatory plan should be used to reconcile per books earnings to adjusted earnings in this schedule. This proposed schedule provides a summary of the amount and effect on income available common equity of each individual adjustment. This schedule will assist Staff in reconciling the difference between the Company and Staff's level of earnings.

Schedule 15 - Cash Working Capital – Earnings Test

Schedule 16 - Balance Sheet Analysis – Earnings Test

Only utilities that calculate a cash working capital requirement using a lead/lag study will file these schedules. Subsequent to the adoption of the current filing requirements, the Commission adopted the use of a lead/lag study in the determination of a cash working capital allowance. Formalizing the requirement of these schedules will not place an extra burden on the utilities since most utilities that calculate cash working capital using a lead/lag methodology currently provide a lead/lag study with its supporting workpapers or as a response to the pre-audit data request.

Schedule 17 - Adjusted Rate of Return Statement
Schedule 18 - Net Original Cost Rate Base Statement – Adjusted
Schedule 19 - Detail of Ratemaking Adjustments

Staff's proposed Schedules 17 - 19 are similar to Schedules 12 – 14 included in the current rules. However, there are several differences. First, Staff does not propose separate per books rate of return or rate base statements. Rather Schedules 17 and 18 would reflect total company in Column (1) and remove non-jurisdictional to arrive at a Virginia jurisdictional level in Column (3). Second, all ratemaking adjustments will be included in Column (4) rather than separated into previously approved and proposed adjustments. For expedited filings, the utility's adjustments will be limited to those types of adjustments previously approved for the applicant by the Commission. Adjustments in expedited filings will no longer be limited to a proforma period amount. These adjustments should reflect operations at the initial rate year level.

Schedule 20 - Revenue Requirement Reconciliation

This proposed schedule provides a summary of the amount and revenue requirement effect of each individual adjustment. This schedule will assist Staff in reconciling the difference between the Company and Staff's revenue requirement.

Schedule 21 - Cash Working Capital – Adjusted
Schedule 22 - Balance Sheet Analysis – Adjusted

As previously discussed in Schedules 15 and 16, Schedules 21 and 22 should not place any additional burden on the utilities that calculate cash working capital using a lead/lag methodology currently provide a lead/lag study with balance sheet analysis as part of its workpapers or in response to the pre-audit data request.

Schedule 23 - Workpapers for Earnings Test and Ratemaking Adjustments

Schedule 24 - Revenue and Expense Variance Analysis

Schedule 25 - Advertising Expense

Schedule 26 - Miscellaneous Expenses

Each of these schedules is required in the current rules; however, they have been renumbered in Staff's proposed rules. In general each schedule requests similar data to what is currently filed. Staff has rewritten the instructions to clarify the requirements.

Schedule 27 - Affiliate Transactions

Schedule 24 of the current rules collects limited information about affiliate transactions. Staff's proposed Schedule 27 – Affiliate Transactions broadens the scope of affiliate transaction information that the utility must file. Staff believes that the requirements of the current Rate Case Rules do not provide adequate information to allow the Commission to determine the reasonableness of affiliate charges. §56-78 of the Code of Virginia states that in a rate proceeding "...any payment or compensation may be disapproved or disallowed by the Commission, in whole or in part, unless satisfactory proof is submitted to the Commission of the cost to the affiliated interest rendering the service or furnishing the property or service above described." §56-79 of the Virginia code defines "satisfactory proof" to be "the original (or verified copies) of the relevant cost records and other relevant accounts of the affiliated interest, or such abstract thereof or summary taken therefrom, as the Commission may deem adequate, properly identified and duly authenticated...." Staff revises the requirements to obtain supporting detail of the costs incurred by the affiliate rendering this service.

Schedule 28 - Income Taxes

Schedule 22 of the current Rate Case Rules requests a significant amount of information pertaining to the test period income statement and balance sheet activity of all types of taxes, with additional specific information requested for federal income tax issues. Staff proposes revising the rule to provide information pertaining solely to the cost of service effects of income taxes. The requested information will provide detail supporting the income and rate base consequences of current and deferred income taxes. Also, Staff requests additional information to more accurately track the cost of service effects of deferred investment tax credit and excess deferred income taxes and to ensure compliance with applicable tax laws and accounting requirements.

Schedule 29 - Organization

Staff requests an organizational chart of the applicant and its parent detailing subsidiaries and divisions. The utility industry is experiencing many mergers and reorganizations, and a current organizational chart will aid Staff's understanding of the relationship between the utility, its parent and other affiliates. Additionally, Staff requests an explanation of any ratemaking effects of any reorganization to permit an evaluation of the effect on regulated rates.

Schedule 30 - Changes in Accounting Procedures**Schedule 31 - Out-of-Period Book Entries****Schedule 32 - Jurisdictional Study****Schedule 33 - Proposed Rates and Tariffs**

Each of these schedules is required in the current rules; however, they have been renumbered in Staff's proposed rules. In general each schedule requests similar data to what is currently filed. Staff has rewritten the instructions to clarify the requirements. Proposed Schedule 33 is necessary to evaluate the proposed rates together with the proposed tariff language changes affecting the terms and conditions under which the applicant's services are delivered.

Schedule 34 - Present and Proposed Revenues

Proposed Schedule 34 provides a detailed supporting calculation of jurisdictional per book revenues by service. It also provides a detailed supporting calculation of the applicant's proposed gross jurisdictional revenue requirement. Schedule 34 will facilitate Staff and parties' analysis of the applicant's proposed rate changes.

Schedule 35 - Sample Billing

The requirements of this schedule have not changed from the current rules. However, it has been assigned a new schedule number.

IV. Electric Utility Restructuring Act Addendum – Investor Owned Electric Utilities

Schedule 37 - Profitability Data – Projected

Schedule 38 - Interest and Cash Flow Coverage Data – Projected

Schedule 39 - Capital Structure and Cost of Capital – Projected

Schedule 40 - Schedule of Short-Term Debt, Revolving Credit Agreements, and similar Short-Term Financing Arrangements – Projected

Schedule 41 -Schedules of Long-Term Debt, Preferred and Preference Stock, Job Development Credits, and Any Other Component of Ratemaking Capital – Projected

Schedule 42 - Comparative Financial Statements – Projected

Schedule 43 - Cost of Capital Statement – Projected

These schedules are necessary to help provide the forward-looking information necessary to give the due consideration mandated under Virginia Code §56-582 as to the justness and reasonableness of rates to be effective for a period of time ending as late as July 1, 2007. Schedules 37 - 43 are examples of information that utilities may seek to have filed under seal with the Commission. As discussed above, Staff proposed Rule A.5.f. requires an applicant to seek and receive proprietary treatment of schedules by the Commission before the applicant's filing is deemed complete.

Schedule 44 - Additional Instructions for Earnings Test Schedules

Virginia Code §56-584 allows incumbent electric utilities to recover just and reasonable net stranded costs to the extent that they exceed zero. Incumbent-electric utilities will charge customers who shop for generation service a wires charge, which has been established to recover stranded costs. The earnings test is a tool for quantifying earnings above the bottom of the equity range that may be used to write-off regulatory assets as well as mitigate stranded costs. The Restructuring Act establishes a Legislative Transition Task Force that must, among other things, monitor the recovery of stranded costs. The Restructuring Act states further that the

Commission should assist in this analysis. Staff believes that information provided through the earnings test will facilitate this analysis.

Staff recognizes that the incumbent utilities may request authorization to transfer generation assets to a subsidiary or division. The instructions for this schedule require the incumbent utility to file additional earnings test schedules for the generation business no longer recorded on the regulated books of the incumbent utility. Staff believes it is necessary to monitor earnings from generation, as well as distribution and transmission, through July 1, 2007. Schedule 44, in combination with proposed Schedules 9 - 16, will provide Staff and the Legislative Transition Task Force with information necessary to determine whether the wires charge mechanism appropriately allows for net stranded cost recovery.

Schedule 45 - Detail of Restructuring Act Adjustments

Schedule 46 - Workpapers for Restructuring Act Adjustments

Staff's proposed Schedules 45 and 46 are similar to and should be filed in addition to proposed Schedules 19 and 23. Adjustments that are consistent with Virginia Code §56-582 should be included in Schedule 45 and reflected in an additional column on proposed Schedule 17. Supplemental workpapers should be included in Schedule 46.

Staff's proposed Schedule 46 requests information on how productivity increases were factored into each adjustment as well as why certain costs remain at a test year level. Historical and projected information is also requested in this schedule. This information will assist Staff in giving due consideration to the justness and reasonableness of proposed rates.

Schedule 47 - Functional Unbundling

To provide the functional cost separations needed to unbundle existing electric rates, it will be necessary for the electric utilities to provide cost of service studies which identify the costs associated with the functional areas of generation (production), transmission, distribution, and customer services. Because the Restructuring Act also anticipates other competitive categories in addition to generation such as primary and secondary distribution, metering, billing and maintenance, the utilities should include cost breakouts for as many of these sub-components as possible within their cost study reports. These cost functions and sub-components should be reported on summary sheets by both system and class.

V. Rules Governing Streamlined Rate Proceedings and General Rate Proceedings for Electric Cooperatives Subject to the State Corporation Commission's Rate Jurisdiction.

Staff proposes no changes to Schedules 1 - 8 of the current Cooperative Rules. Current Schedules 9 - 12 have been renumbered as Proposed Schedules 10 - 13. Staff proposes Schedule 9 - Affiliate Transactions as discussed below.

Schedule 9 - Affiliate Transactions

§56-231.34:1.A of the Code of Virginia states, "Any business of a cooperative that is not a regulated utility service shall be conducted solely by one or more affiliates of such cooperative." Cooperatives will receive services and provide services to affiliates similar to investor-owned electric utilities. As a result, Staff's proposed schedule request information is necessary to determine the reasonableness of the affiliates charges. The requirements of this

schedule are addressed further in Staff's discussion of Schedule 27 of the investor-owned utility rules.

VI. Electric Utility Restructuring Act Addendum – Electric Cooperatives

As noted above, the Cooperative Rules require that an earnings test be filed annually through 2007. Staff proposes utilizing current Schedule 3 for the earnings test. Additional supporting schedules will also be filed as discussed below. As noted previously, the Restructuring Act establishes the Legislative Transition Task Force to monitor the recovery of stranded costs and provides that the Commission should assist in this analysis. Staff believes that information provided through the earnings test will facilitate this analysis.

Schedule 17 - Earnings Test Expense Recovery

This proposed schedule calculates the amount of deferred expenses that can be written-off while maintaining the Times Interest Earned Ratio ("TIER") currently authorized by the Commission.

Schedule 18 - Schedule of Regulatory Assets

Currently, some regulatory assets are included for financial purposes while others are established and tracked only for regulatory accounting purposes. This schedule will provide the Commission a summary of all costs deferred for future recovery.

Schedule 19 - Reconciliation of Changes in Earnings

This proposed schedule provides a summary of the amount and impact on total margins effect of each individual adjustment. This schedule will assist Staff in reconciling the difference between the Company's and Staff's level of earnings.

Schedule 20 - Detail of Earnings Test Adjustments

Schedule 21 - Workpapers for Restructuring Act Adjustments

Staff's proposed Schedules 20 and 21 are similar to and should be filed in addition to proposed Schedules 4 and 10. Adjustments that are consistent with Virginia Code §56-582 should be included in Schedule 20 and reflected in an additional column on proposed Schedule 3. Supporting workpapers should be included in Schedule 21.

Staff's proposed Schedule 21 requests information on how productivity increases were factored into each adjustment as well as why certain costs remain at a test year level. Historical and projected information is also requested in this schedule. This information will assist Staff in giving due consideration to the justness and reasonableness of proposed rates.

Schedule 22 - Functional Unbundling

To provide the functional cost separations needed to unbundle existing electric rates, it will be necessary for the electric Cooperatives to provide cost of service studies which identify the costs associated with the functional areas of generation (production), transmission, distribution, and customer services. Because the Restructuring Act also anticipates other competitive categories in addition to generation such as primary and secondary distribution, metering, billing and maintenance, the Cooperatives should include cost break-outs for as many

of these sub-components as possible within their cost study reports. These cost functions and sub-components should be reported on summary sheets by both system and class. Also, included for the first time is a requirement that Cooperatives provide separation of government customers from Commission jurisdictional customers in their cost of service studies. This treatment of governmental accounts is consistent with the treatment afforded such accounts for investor owned electric utilities and natural gas utilities and required by statute.

VII. Summary

Staff has reviewed the Rate Case and Cooperative Rules and has proposed various changes to include the current ratemaking and policy procedures of the Commission. Staff proposes additional requirements and schedules that are necessary to implement the Restructuring Act. Staff believes its proposed changes will facilitate the rate case review process both during and after electric industry restructuring.

Appendix A -20 VAC 5-200-30. Rules governing utility rate increase applications and annual informational filings.

A. An application for a rate increase filed by a public utility, as defined in §56-232 of the Code of Virginia, (except Electric Cooperatives, as defined in the Utility Consumer Services Cooperatives Act, §56-231.15 of the Code of Virginia, and Telephone Cooperatives, as defined in the Telephone Cooperatives Act, §56-487 of the Code of Virginia), having annual revenues exceeding \$1,000,000, which proposes to increase annual operating revenues shall include:

1. The name and post office address of the applicant and the name and post office address of its counsel.
2. A full clear statement of the facts which the applicant is prepared to prove by competent evidence, the proof of which will warrant the objectives sought.
3. A statement of details of the objective or objectives sought and the legal basis therefor.
4. All direct testimony by which the applicant expects to support the objective or objectives sought.
5. Exhibits consisting of Schedules 1 through 35 shall be submitted with the utility's direct testimony. Such schedules shall be identified with the appropriate schedule number and shall be prepared in accordance with the instructions contained in the Appendix attached hereto and the following general instructions:
 - a. Attach a table of contents of the Company's application, including exhibits.
 - b. The applicant will be expected to verify the accuracy of all data and calculations contained in and pertaining to every exhibit submitted, as well as support any adjustments, allocations or rate design relied upon by the utility.
 - c. Each exhibit shall be labeled with the name of the applicant and the initials of the sponsoring witness in the upper right hand corner as shown below:

Exhibit No. (Leave Blank)

Witness: (Initials)

Statement or

Schedule Number

The first page of all exhibits shall contain a caption which describes the subject matter of the exhibit.

- d. If the accounting and statistical data submitted differ from the books of the applicant, then the applicant shall include in its filing a reconciliation schedule for each account or subaccount which differs, together with an explanation describing the nature of the difference.

e. The required accounting and statistical data shall include all work papers and other information necessary to ensure that the items, statements and schedules are not misleading.

f. If an applicant requests propriety treatment of testimony and/or data included in its filing, such filing shall not be deemed complete under any relevant provision of the Code of Virginia until a request for such treatment is ruled on by the Commission.

6. Exhibits consisting of additional schedules may be submitted with the utility's direct testimony. Such exhibit shall be identified as Schedule 36 (this exhibit may include numerous sub-schedules labeled 36A et seq.) and shall conform at a minimum to the general instructions contained in subdivision A5.

7. All applications (including those discussed in subdivision 9) shall be filed in the original and 20 copies with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23216. Direct testimony, including Schedules 1-35, shall, with the exception of Schedule 23 and Schedule 32, be filed with the Clerk of the Commission in the original and 20 copies. Three copies of Schedule 23 shall be filed, two directly with the Commission's Division of Public Utility Accounting and one directly with either the Commission's Division of Energy Regulation or Division of Communications, as appropriate. Additional copies of Schedule 23 shall be made available to parties upon request. Utilities not seeking rate relief shall file one copy of Schedule 32 directly with the Division of Energy Regulation or the Division of Communications, as applicable, and one copy of Schedule 32 directly with the Division of Public Utility Accounting. Additional copies of Schedule 32 shall be made available to parties upon request.

Applications requesting rate relief shall file an original and 20 copies of Schedule 32 in the manner stated above. An application shall not be deemed filed per §56-238 of the Code of Virginia unless it is in full compliance with these rules.

8. The selection of a test period is up to the applicant. However, the use of overlapping test periods will not be allowed.

9. Unless modified per a Commission-approved alternative regulatory plan each utility not requesting a base rate increase shall make an annual informational filing consisting of Schedules 1-7, 9-19, 21-23, 25-29 and 32. The test period shall be the current 12 months ending in the same month used in the utility's most recent rate application. This information shall be filed with the Commission within 90 days after the end of the new test period. Accounting adjustments reflected in Column (4) of Schedule 17 shall incorporate the ratemaking treatment approved by the Commission in the utility's last rate case and shall be calculated in accordance with the Expedited Rules of Schedule 19. A fully adjusted rate of return on jurisdictional operations is required in order to allow the Commission and its staff to adequately evaluate the Company's financial condition. Similarly, a jurisdictional per books rate of return statement restated to a regulatory basis is required in order to allow the Commission and its staff to adequately evaluate expense recoveries.

10. These rules apply only to the applicant and do not limit the Commission staff or parties from raising new issues for Commission consideration.

11. The Commission retains the right to waive any or all parts of these rate case rules for good cause shown.

B. If not otherwise constrained by law or regulatory requirements, an applicant which has not experienced a substantial change in circumstances may file for an expedited increase in rates as an alternative to a general rate application. If, upon timely consideration of the expedited application and supporting evidence it appears that a substantial change in circumstances has taken place since the applicant's last rate case, then the Commission may take appropriate action, such as directing that the application be dismissed or treated as a general rate application. Prior to public hearing, and subject to applicable provisions of law, an application for expedited rate increase may take effect within 30 days after the date the application is filed. Expedited rate increases may also take effect in less than 12 months after the applicant's preceding rate increase so long as rates are not increased more than once in any calendar year. An applicant seeking an expedited increase in rates shall comply with the following rules in addition to the rules contained in subsection A, above:

1. In computing its cost of capital, as prescribed in Schedule 3 of the Appendix attached hereto, the applicant shall use the equity return rate approved by the Commission and used to determine the revenue requirements in the utility's most recent general rate case.

2. An applicant, in developing its rate of return statement, shall make adjustments to its test period jurisdictional results only in accordance with the instructions accompanying Schedule 19 in the Appendix attached hereto.

3. Allocation methodologies and rate design objectives are determined by the Commission in general rate cases. Therefore, a utility seeking an expedited increase in rates shall allocate any proposed increases among its customer classes and shall design its proposed rates consistent with the Commission's order in the applicant's most recent general rate case.

C. Rates authorized to take effect 30 days following the filing of any application for an expedited rate increase shall be subject to refund in a manner prescribed by the Commission. If rates are subject to refund, the Commission may also direct that such refund bear interest at a rate set by the Commission.

D. An applicant seeking a change in rates filed pursuant to §56-582 of the Code of Virginia shall comply with the following rules in addition to the rules contained in subsection A, above:

1. Applications shall include Schedules 37-48, as set forth in the appendix to these rules.

2. No expedited rate filings shall be made pursuant to this subsection.

E. Fuel Factor- Cogeneration Filing Requirements:

1. General Rate Case - When an electric utility files for a rate increase in the context of a general rate case, fuel factor projections and cogeneration rates shall not be filed as part of the original application. The Commission shall by order, establish a filing date for fuel factor and cogeneration testimony.

2. Expedited Filing - When an electric utility files for an expedited rate increase, it shall file fuel factor projections and cogeneration rates at least six full weeks prior to the anticipated effective

date of interim rates. Such filing shall include the projections required by the Commission's Fuel Monitoring System as well as the necessary testimony and exhibits in support of those projections and the proposed cogeneration rates.

3. In the event that an electric utility files an application to increase the fuel factor only, fuel factor projections and proposed cogeneration rates shall be filed six weeks prior to the proposed effective date. The filing shall include projections required by the Commission's Fuel Monitoring System as well as the testimony and exhibits supporting the fuel factor projections and cogeneration rates.

4. Regardless of a utility's filing schedule, fuel factor projections must be filed at least six weeks prior to the expiration of the last projection or as required by the Commission.

F. Nothing in these regulations shall be interpreted to apply to applications for temporary reductions of rates pursuant to §56-242 of the Code of Virginia.

G. Requests for temporary increases in rates filed pursuant to §56-245 of the Code of Virginia shall include Schedules 1 through 7 and 9 through 16.

H. The applicant shall serve a copy of the information required in subdivisions A1 through A3, upon the Commonwealth's Attorney and Chairman of the Board of Supervisors of each county (or equivalent officials in the counties having alternate forms of government) in this Commonwealth affected by the proposed increase and upon the Mayor or Manager and the attorney of every city and town (or equivalent officials in towns and cities having alternate forms of government) in this Commonwealth affected by the proposed increase. The applicant shall also serve each such official with a statement that a copy of the complete application may be obtained at no cost by making a request therefor orally or in writing to a specified company official or location. In addition, the applicant shall serve a copy of its complete application upon the Division of Consumer Counsel of the Office of the Attorney General of Virginia. All such service specified by this rule shall be made either by (i) personal delivery or (ii) first class mail, to the customary place of business or to the residence of the person served.

Rules Governing Utility Rate Increase Applications for Investor Owned Utilities

Schedule 1 - Historic Profitability and Market Data

Instructions: Using the format of the attached schedule and the definitions provided below, provide the data for the test year and four prior fiscal years. The information shall be compatible with the latest Stockholder's annual report (including any restatements). Information in Sections A and B shall be compiled for the corporate entity, which raises equity capital in the marketplace. Information in Section C shall be compiled for the subsidiary company that provides regulated utility service in Virginia.

Definitions

Return on Year End Equity* = $\frac{\text{Earnings Available for Common Shareholders}}{\text{Year End Common Equity}}$

Return on Average Equity* = $\frac{\text{Earnings Available for Common Shareholders}}{\text{The Average of Year End Equity for the Current \& Previous Year}}$

E.P.S. = $\frac{\text{Earnings Available for Common Shareholders}}{\text{Average No. Common Shares Outstanding}}$

D.P.S. = Common Dividends Paid per Share During the Year

Payout Ratio = D.P.S./E.P.S

Average Market Price** = $(\text{Yearly High} + \text{Yearly Low Price})/2$

Dividend Yield = D.P.S./ Average Market Price**

Price Earnings Ratio = Average Market Price**/E.P.S

* Job Development Credits shall not be included as part of equity capital nor shall a deduction be made from earnings for a capital charge on these Job Development Credits in Schedule 1

** An average based on monthly highs and lows is also acceptable. If this alternative is chosen, provide monthly market prices and sufficient data to show how the calculation was made.

Schedule 2 - Interest and Cash Flow Coverage Data

Instructions: This schedule shall be prepared using the definitions and instructions given below and presented in the format of the attached schedule. The information shall be provided for the test year and the prior four fiscal years based on information for the Applicant and for the consolidated company if Applicant is a subsidiary.

- Interest (Lines 3, 4, & 5) shall include amortization of expenses, discounts, and premiums on debt without deducting an allowance for borrowed funds used during construction.
- Income taxes (Line 2) include federal and state income taxes.
- Earnings before interest and taxes (Line 6) equals net income plus income taxes plus total interest = (Line 1) + (Line 2) + (Line 5).
- AFUDC (Line 7), where applicable, is total AFUDC-- for borrowed and other funds.
- Preferred dividends (Line 12) for a subsidiary may need to be allocated from the parent's total preferred dividends. Specify the allocation factor and the methodology used in a footnote.
- Cash flow generated (Line 13) = (Line 1) + (Line 8) + (Line 9) + (Line 10) + (Line 11) - (Line 7) - (Line 12).
- Construction expenditures (Line 14) are net of AFUDC.
- Common dividends (Line 15) for a subsidiary shall be stated per books. If the subsidiary's dividend payout ratio differs from the consolidated company's payout ratio, show in a footnote the subsidiary's common dividends based on the consolidated company's payout ratio.

Coverage Definitions for Schedule 2

$$\text{Pre-Tax Interest Coverage} = \frac{\text{Earnings before Interest and Taxes}}{\text{Interest}} = \frac{\text{Line 6}}{\text{Line 5}}$$

$$\text{Common Dividend Coverage} = \frac{\text{Cash Flow Generated}}{\text{Common Dividends}} = \frac{\text{Line 13}}{\text{Line 15}}$$

$$\text{Cash Coverage of Construction Expenditures} = \frac{\text{Cash Flow Generated}}{\text{Construction Expenditures}} = \frac{\text{Line 13}}{\text{Line 14}}$$

$$\text{Cash After Common Dividends Coverage Of Construction Expenditures} = \frac{\text{Line 13} - \text{Line 15}}{\text{Line 14}}$$

Schedule 3 - Capital Structure and Cost of Capital Statement – Per Books and Average

Instructions: This schedule shall show the amount of each capital component per balance sheet, the amount for ratemaking purposes, the percentage weight in the capital structure, the component cost and weighted cost, using the format in the attached schedule. The information shall be provided for the test period, the four prior fiscal years, and on a thirteen-month average basis for the test period. The data shall be provided for the entity whose capital structure was approved for use in the applicant's last rate case.

In part A, the information shall be compatible with the latest Stockholders' Annual Report (including any restatements). In Parts B, C, and D, the methodology shall be consistent with that approved in the applicant's last rate case. Reconcile differences between Parts A and B. The amounts for short-term debt and revolving credit agreements (and similar arrangements) in Part B shall be based preferably on a daily average over the test year, or alternatively on a thirteen-month average over the test year. Except for the Part B amount for short-term debt and thirteen-month average amounts in Column (6), all other accounts are end-of-year and end-of-test period. The component weighted cost rates equal the product of each component's capital structure weight for ratemaking purposes times its cost rate. The weighted cost of capital is equal to the sum of the component weighted cost rates. The Job Development Credits cost is equal to the weighted cost of permanent capital (long-term debt, preferred stock, and common equity).

Schedule 4 - Schedules of Long-Term Debt, Preferred and Preference Stock, Job Development Credits, and Any Other Component of Ratemaking Capital

Instructions: For each applicable capital component, provide a schedule that shows, for each issue, the amount outstanding, its percentage of the total capital component, and effective cost based on the embedded cost rate. This data shall support the amount and cost rate of the respective capital components contained in Schedule 3, consistent with the methodology approved in applicant's last rate case. In addition, a detailed breakdown of all job development credits should be provided that reconciles to the per books balance of investment tax credits. These schedules should reflect disclosure of any associated hedging/derivative instruments, their respective terms and conditions (instrument type, notional amount and associated series of debt or preferred stock hedged, period in effect, etc.), and their impact on the cost of debt or preferred stock.

Schedule 5 - Schedule of Short-Term Debt, Revolving Credit Agreements, and similar Short-Term Financing Arrangements

Instructions: Consistent with the methodology approved in the applicant's last rate case, provide the data and explain the methodology used to calculate the cost and balance contained in Schedule 3 for short-term debt, revolving credit agreements, and similar arrangements. This schedule should also provide detailed disclosure of any hedging/derivative instruments related to short-term debt, their respective terms and conditions (instrument type, notional amount and associated series of debt hedged, period in effect, etc.), and their impact on the cost of short-term debt.

Schedule 6 - Public Financial Reports

Instructions: Provide copies of the most recent Stockholder's Annual Report, SEC Form 10-K, and Form 10-Q for the applicant and the consolidated parent company if applicant is a subsidiary.

Schedule 7 - Comparative Financial Statements

Instructions: If not provided in the public financial reports for Schedule 6, provide comparative balance sheets, income statements, and cash flow statements for the test year and the twelve month period preceding the test year for the applicant and its consolidated parent company if applicant is a subsidiary.

Schedule 8 - Proposed Cost of Capital Statement

Instructions: Provide the capital structure/cost of capital schedule that supports applicant's proposed rate increase. In conjunction, provide schedules that support the amount and cost of each component of the proposed capital structure, and explain all assumptions used.

Schedule 9 - Rate of Return Statement – Earnings Test

Instructions: Use format of attached schedule.

Jurisdictional allocation factors used to eliminate non-jurisdictional business in Column (2) shall be supported in Schedule 32.

Adjustments in Column (4) shall reflect any financial differences between Generally Accepted Accounting Principles ("GAAP") and regulatory accounting as prescribed by the Commission. Each Column (4) adjustment shall be separately identified and reflected in Schedule 13.

The amount of other income (expense) shown in Column (5) shall be the current amount of other income (expense) recognized as jurisdictional in the applicant's last rate case.

For subsidiary companies that receive all external capital from the parent, lines 16 and 17, Column (3) shall be allocated from the consolidated parent's interest expense and preferred dividends. The allocation factor shall be equal to Column (3) rate base divided by the total capitalization reflected in Column (1).

Line 18, JDC Capital Expense, shall be reflected as Not Applicable ("N/A") in Columns (1) and (2). Column (3) of line 18 shall reflect a jurisdictional per books level as follows:

JDC Capital Expense = AOI (line 14) X weight of JDC Capital in Schedule 3

A per books regulatory accounting adjustment to reflect JDC Capital Expense shall be reflected in Column (4), if applicable. Column (5) JDC Capital Expense shall be calculated as follows:

**JDC Capital Expense = Rate Base (line 23) X weighted cost of JDC Capital in Schedule 3
(bottom of the equity range)**

The associated income tax savings shall be reflected in line 5, Column (4) as follows:

Associated income tax savings = total average rate base (line 23) X weight of JDC capital (Sch. 3) X weighted cost of debt component of the JDC cost component (Sch. 3) X -FIT rate

Schedule 10 - Net Original Cost Rate Base – Earnings Test

Instructions: Use format of attached schedule.

Jurisdictional allocation factors used to eliminate non-jurisdictional business in Column (2) shall be supported in Schedule 32.

Adjustments in Column (4) shall reflect any financial differences between GAAP and regulatory accounting as prescribed by the Commission. Each Column (4) adjustment shall be separately identified and reflected in Schedule 13.

If a cash working capital allowance that is based on the results of a lead/lag study has been approved by the Commission for the applicant, Schedules 15 and 16 shall be provided detailing the cash working capital computation for Column (5).

Schedule 11 - Earnings Test Expense Recovery

Instructions: Use format of attached schedule.

Lines 2 and 3, Common Equity Capital and Return on Equity, shall be from average Capital Structure in Schedule 3. Line 5, Income Available per Earnings Test, shall be from Schedule 9.

Line 7 shall be the gross-up factor(s) shall included only the applicable federal income tax rate specific to the regulatory asset(s) being written-off.

Schedule 12 - Schedule of Regulatory Assets

Instructions: Use format of attached schedule.

All regulatory assets shall be individually listed with associated deferred income tax. Indicate whether the regulatory asset is included in financial reporting or is currently recognized for ratemaking purposes only.

Column (7) shall include any write-off of regulatory assets due to excess earnings determined in Schedule 11.

Schedule 13 - Detail of Earnings Test Adjustments

Instructions: Use format of attached schedule.

Each regulatory accounting adjustment shall be numbered sequentially beginning with ET-1 and listed under the appropriate description category (Operating Revenues, Interest Expense, Common Equity Capital, etc.).

Each regulatory accounting adjustment shall be fully explained in the description column of this schedule. Regulatory accounting adjustments shall adjust from a financial accounting basis to a regulatory accounting basis. Adjustments to reflect going-forward operations shall not be included on this schedule.

Detailed workpapers substantiating each adjustment shall be provided in Schedule 23.

Schedule 14 - Reconciliation of Changes in Earnings – Earnings Test

Instructions: Use format of attached schedule.

Regulatory accounting adjustments shall be listed under the appropriate description category (Operating Revenues, O&M, etc.)

Column (1) shall include each amount of the adjustment from Schedule 13.

Schedule 15 - Cash Working Capital – Earnings Test

Instructions: If applicable per Schedule 10 instructions.

Use format of attached schedule.

Total Balance Sheet Net Source/Use of Average Cash Working Capital determined in Schedule 16 shall be included in the Total Cash Working Capital amount in this schedule.

The Total Cash Working Capital amount determined in this schedule shall be included in Schedule 10.

Schedule 16 - Balance Sheet Analysis – Earnings Test

Instructions: If applicable per Schedule 10 instructions.

Use format of attached schedule.

All sources/uses of cash working capital shall be detailed in this schedule. The associated accumulated deferred income tax shall also be included as a source/use.

The Net Source/Use of Average Cash Working Capital determined in this schedule shall be included in Schedule 15.

Schedule 17 - Adjusted Rate of Return Statement

Instructions: Use format of attached schedule.

Jurisdictional allocation factors used to eliminate non-jurisdictional business in Column (2) shall be supported in Schedule 32.

Each Column (4) adjustment shall be separately identified and reflected in Schedule 19.

After ratemaking adjustments, lines 20, 21 and 29 shall be calculated consistent with the ratemaking capital structure reflected in either Schedule 3 or Schedule 8 as appropriate.

After ratemaking adjustments, JDC capital expense shall be calculated as follows:

Total rate base (line 27) X weighted cost of JDC capital in Schedule 3 or 8

Schedule 18 - Net Original Cost Rate Base Statement – Adjusted

Instructions: Use format of attached schedule.

Jurisdictional allocation factors used to eliminate non-jurisdictional business in Column (2) shall be supported in Schedule 32.

If a cash working capital allowance that is based on the results of a lead/lag study has been approved by the Commission for the applicant, Schedules 21 and 22 shall be provided detailing the cash working capital computation for Column (5).

Schedule 19 - Detail of Ratemaking Adjustments

Instructions: Use format of attached schedule.

Each adjustment shall be numbered sequentially and listed under the appropriate description category (Operating Revenues, Interest Expense, Common Equity Capital, etc.).

Ratemaking adjustments shall reflect the initial rate year level of revenues, expenses, rate base and capital.

In Expedited Filings, Column (4) Ratemaking Adjustments shall reflect only those types of adjustments previously approved for the applicant.

Detailed workpapers substantiating each adjustment shall be provided in Schedule 23.

Schedule 20 - Revenue Requirement Reconciliation

Instructions: Use format of attached schedule.

Ratemaking adjustments shall be listed under the appropriate description category (Operating Revenues, O&M, etc.)

Column (1) should include the amount of the adjustment from Schedule 19.

Schedule 21 - Cash Working Capital – Adjusted

Instructions: If applicable per Schedule 18 instructions.

Use format of attached schedule.

Total Balance Sheet Net Source/Use of Average Cash Working Capital determined in Schedule 22 shall be included in the Total Cash Working Capital amount in this schedule.

The Total Cash Working Capital amount determined in this schedule shall be included in Schedule 18.

Schedule 22 - Balance Sheet Analysis – Adjusted

Instructions: If applicable per Schedule 18 instructions.

Use format of attached schedule.

All sources/uses of cash working capital shall be detailed in this schedule. The associated accumulated deferred income tax shall also be included as a source/use.

The Net Source/Use of Average Cash Working Capital determined in this schedule shall be included in Schedule 21.

Schedule 23 - Workpapers for Earnings Test and Ratemaking Adjustments

Instructions: Provide detailed workpapers and supporting schedules of all Earnings Test as well as Ratemaking Adjustments. Each supporting document shall identify the origin of the data shown. Also, indicate whether data is actual or estimated. Working papers shall be indexed and tabbed for each adjustment. Two copies shall be filed with the Division of Public Utility Accounting and one copy with the Division of Energy Regulation or Division of Communications, as appropriate.

Schedule 24 - Revenue and Expense Variance Analysis

Instructions: Applicant shall quantify jurisdictional operating revenues and system operating and maintenance (“O&M”) expenses by primary account during the test period and the preceding twelve months. Also, provide jurisdictional sales volumes by customer class for the test period.

Applicant shall provide a detailed explanation of all jurisdictional revenue and system expense increases or decreases of more than 10% during the test period compared to the previous twelve month period. The expense variance analysis applies to test period expense items greater than one-hundredth of one percent (.0001) of total O&M expenses for utilities with O&M expenses exceeding \$100 million, and one-tenth of one percent (.001) of total O&M expenses for utilities with O&M expenses below \$100 million.

Schedule 25 - Advertising Expense

Instructions: A schedule detailing advertising expense by account and grouped as informational, promotional, image, safety, cooperative and conservational shall be provided. State the basis for the respective grouping and demonstrate that the applicant's advertising meets the criteria established in Virginia Code §56-235.2.

Schedule 26 - Miscellaneous Expenses

Instructions: Provide a description, amounts paid and accounts charged for all charitable and educational donations, payments to associated industry organizations, and all other miscellaneous general expenses. Advertising expenses included in Schedule 25 should be excluded from this schedule.

Schedule 27 - Affiliate Transactions

Instructions: For purposes of this schedule affiliate services shall be defined to include those transactions between regulated and non-regulated divisions of an incumbent utility.

Provide a narrative description of each affiliated service received or provided during the test period.

Provide a summary of affiliate transactions detailing costs by function for each month of the test period. Show the final account distribution of all costs billed to or by the regulated entity by month for the test period.

Identify all amounts billed to an affiliate and then billed back to the regulated entity.

Provide cost records and market analyses supporting all affiliated charges billed to or by the regulated entity/division. This shall include supporting detail of costs (including the return component) incurred by the affiliated interest rendering the service and the allocation methodology. In situations when the pricing is required to be the higher (lower) of cost or market and market is unavailable, note each such transactions and have data supporting such a finding available for Commission staff review.

If affiliate charges are booked per a pricing mechanism other than that approved by the Commission, the regulated entity shall provide a reconciliation of books to Commission-approved pricing, including an explanation of why the Commission-approved pricing is not used for booking purposes.

Schedule 28 - Income Taxes

Instructions: Provide a schedule detailing the computation of test period current state and federal income taxes on a total company and Virginia jurisdictional basis. Schedule should provide a complete reconciliation between book and taxable income showing all individual differences.

Provide a schedule detailing the individual items of deferred state and federal income tax expense for the test period on a total company and Virginia jurisdictional basis.

Provide a detailed reconciliation between the statutory and effective federal income tax rates for the test period. Schedule should quantify individual reconciling items by dollar amount and percentage. Individual items should include but not be limited to permanent differences (itemize), flow through depreciation, excess DFIT amortization and ITC amortization.

Provide a detailed listing of individual ADIT amounts as of the end of test period. Separately identify those items impacting the computation of rate base on both a total company and Virginia jurisdictional basis.

Quantify total company and Virginia jurisdictional ADITC and excess ADFIT balances as of the end of test period. Reconcile these balances with recorded SFAS 109 regulatory asset/liability amounts.

Schedule 29 - Organization

Instructions: Provide an organizational chart of the applicant and its parent company detailing subsidiaries and divisions. Provide details of any material corporate reorganizations since the applicant's last rate case. Explain the reasons and any ratemaking impact of such reorganization.

Schedule 30 - Changes in Accounting Procedures

Instructions: Detail any material changes in accounting procedures adopted by either the parent/service company or the utility since the applicant's last rate case. Explain any ratemaking impact of such changes.

Identify any write-offs or write-downs associated with assets (i.e. plant, tax accounts, etc.) which have either been retained, transferred or sold.

Schedule 31 - Out-of-Period Book Entries

Instructions: Provide a summary schedule prepared from a analysis of journal entries showing "out-of-period" items booked during the test period. Show journal entry number, amount, account and explanation of charge.

Schedule 32 - Jurisdictional Study

Instructions: Use format of attached schedule.

Provide details calculations for all jurisdictional allocations. Show the allocation basis for each primary account and for any amount included therein with a unique allocation basis. Explain the methodology used and why such method is proposed. Discuss all changes in the applicant's operations that have materially changed any allocation factor since the last rate case. For electric utilities, provide the calculations supporting the applicant's line loss percentages.

Schedule 33 - Proposed Rates and Tariffs

Instructions: Provide a summary of the rates designed to effect the proposed revenue increase. Provide a copy of all tariff pages that the applicant proposes to revise in this proceeding, with revisions indicated by a dashed line (--) through proposed deletions and by underlining proposed additions.

Schedule 34 - Present and Proposed Revenues

Instructions: A. Provide the detailed calculations supporting total per books revenues in Column (3) of Schedule 17. The present revenues from each of the applicant's services shall be determined by multiplying the current rates times the test period billing units (by rate block, if applicable).

B. Provide a detailed calculation supporting total adjusted revenues in Column (7) of Schedule 17. The proposed revenues from each of applicant's services shall be determined by multiplying the proposed rates by the adjusted billing units (by rate block, if applicable). Detail by rate schedule all miscellaneous charges and other revenues, if applicable. Reconcile per books billing units to adjusted billing units itemizing changes such as such as customer growth, weather, btu content and miscellaneous revenues. The revenue changes for applicant's services should be sub-totaled into the applicant's traditional categories.

Schedule 35 - Sample Billing

Instructions: Electric, natural gas and water and/or sewer utilities shall provide a sample billing analysis detailing the effect on each rate schedule at representative levels of consumption.

Electric Utility Restructuring Act Addendum Investor-Owned Electric Utilities

Schedule 37 - Profitability Data - Projected

Instructions: Provide an estimate of the same type of information for applicant as found in the test year Section C of Schedule 1, projected for each calendar year through 2007. The projections for this schedule may be consistent with the 5 and 10 year Integrated Resource Plan Forecasts provided to the Division of Economics and Finance. The information provided should reflect and explain the type of functional separation planned or executed by the Company for generation, transmission, and distribution operations by January 1, 2002, as required by §56-590 of Chapter 23 of Title 56, the Virginia Electric Utility Restructuring Act ("Restructuring Act").

Schedule 38 - Interest and Cash Flow Coverage Data - Projected

Instructions: Provide an estimate of the same type of information found in the test year Section B of Schedule 2, as projected for each calendar year through 2007. The projections for this schedule may be consistent with the 5 and 10 year Integrated Resource Plan Forecast provided to the Division of Economics and Finance if they reflect the functional separation of generation, transmission, and distribution operations by January 1, 2002, as required by §56-590 of the Restructuring Act.

Schedule 39 - Capital Structure and Cost of Capital - Projected

Instructions: Provide an estimate of the same type of information found in Column (5) of Schedule 3, as projected for each calendar year through 2007. The projections for this schedule may be consistent with the 5 and 10 year Integrated Resource Plan Forecast provided to the Division of Economics and Finance if they reflect the functional separation of generation, transmission, and distribution operations by January 1, 2002, as required by §56-590 of the Restructuring Act.

Schedule 40 - Schedule of Short-Term Debt, Revolving Credit Agreements, and similar Short-Term Financing Arrangements - Projected

Instructions: Provide projections of the cost and average balance of short-term debt, revolving credit agreements, and similar arrangements, for each calendar year through 2007. The cost rate should reflect the impact of any hedging/derivative instruments related to short-term debt that are expected to be in effect during the period projected. The balance and cost rate for each year should support the short-term debt figures in Schedule 39.

Schedule 41 - Schedules of Long-Term Debt, Preferred and Preference Stock, Job Development Credits, and Any Other Component of Ratemaking Capital - Projected

Instructions: Provide projections of the amounts and cost rates for long-term debt, preferred stock, job development credits, and any other component of ratemaking capital for each calendar year through 2007. The cost rates should reflect the impact of any hedging/derivative instruments related to the respective capital components shown in this Schedule and expected to be in effect during the period projected. The balance and cost rate for each capital component in each year should support and correspond to the respective figures in Schedule 39.

Schedule 42 - Comparative Financial Statements - Projected

Instructions: Provide projected balance sheets, income statements, and cash flow statements for the applicant for each calendar year through 2007. The projections for this schedule may be consistent with the 5 and 10 year Integrated Resource Plan Forecast provided to the Division of Economics and Finance if they reflect the functional separation of distribution operations from generation, and transmission operations by January 1, 2002, as required by §56-590 of the Restructuring Act.

Schedule 43 - Cost of Capital Statement - Projected

Instructions: Provide the capital structure/ cost of capital schedule which applicant supports for the determination of capped rates under §56-582 of the Restructuring Act. In conjunction, provide schedules that support the amount and cost of each capital structure component, and explain all assumptions used.

Schedule 44 - Additional Instructions for Earnings Test Schedules

Instructions: Provide Schedules 9 – 16 for generation services that have been transferred to a subsidiary, affiliate or division.

If the capitalization for generation investment is not included in Schedule 3, provide the average capitalization of the entity providing generation services in format similar to that on Schedule 3.

Schedule 45 - Detail of Restructuring Act Adjustments

Instructions: Use format of attached schedule.

This schedule shall be filed in addition to Schedule 19.

Each adjustment shall be numbered sequentially and listed under the appropriate description category (operating revenues, interest expense, common equity capital, etc.).

Restructuring Act Adjustments shall reflect an annual going-forward year level of revenues, expenses, rate base and capital consistent with Virginia Code §56-582. These adjustments shall be reflected in Schedule 17 by inserting two columns after Column (5). Column (6) shall be titled Restructuring Act Adjustments.

Provide an explanation for why some costs (by function) remain at a test year level. Additionally, describe and detail how increases in productivity have been factored into each cost whether adjusted or remaining at a test year level.

Detailed workpapers substantiating each adjustment shall be provided in Schedule 46.

Schedule 46 - Workpapers for Restructuring Act Adjustments

Instructions: This schedule shall be filed in addition to Schedule 23.

Provide detailed workpapers and supporting schedules of Restructuring Act adjustments. Each supporting document shall identify the origin of the data shown.

Include a comparison of actual to final budget data for the past 10 years for each adjustments.

Provide budgeted data for each adjustment annually through July 1, 2007. For projected adjustment amount, identify budget information as preliminary or final. If preliminary, indicate when final budget is anticipated.

Include a narrative of budgeting methodology as well as any significant changes that have occurred during the ten years.

Working papers shall be indexed and tabbed for each adjustment. Two copies shall be filed with the Division of Public Utility Accounting and one copy with the Division of Energy Regulation.

Schedule 47 - Income Taxes

Instructions: This schedule shall be filed in addition to Schedule 28.

Provide annual estimates of the effective state and federal income tax rates through calendar year 2007. Also, provide the working papers supporting the development of each income tax rate. Quantify the individual items that reconcile to the statutory federal income tax rate by dollar amount and percentage for each year.

Provide an estimate of individual ADIT amounts as year-end through calendar year 2007. Separately identify those items impacting rate base on both a total company and Virginia jurisdictional basis.

Estimate total company Virginia jurisdictional ADITC and excess ADFIT balances as of year-end through calendar year 2007.

Schedule 48 - Functional Unbundling

Instructions: This schedule shall be filed in addition to Schedule 32.

Use the format of attached schedule.

Provide cost of service studies that identify the costs associated with the functional areas of generation (production), transmission, distribution and customer.

Provide cost breakouts for sub-components of functional areas such as primary and secondary distribution, metering, billing and maintenance. Report cost functions and sub-components on summary sheets by both system and class.

Provide cost of service studies for any competitive service that has been transferred to a subsidiary, affiliate or division.

20 VAC 5-200-21. Rules governing streamlined rate proceedings and general rate proceedings for electric cooperatives subject to the State Corporation Commission's rate jurisdiction.

A. Nothing in these rules shall be interpreted to apply to applications for temporary reductions of rates pursuant to §56-242 of the Code of Virginia.

B. All streamlined or general rate applications for jurisdictional electric distribution cooperatives ("cooperatives" or "applicants") shall be subject to the following rules:

1. Pursuant to §56-235.4 of the Code of Virginia and the exceptions stated therein, the regulated operating revenues of a cooperative shall not be increased more than once within any 12-month period. However, streamlined rate relief may become effective in less than 12 months after a preceding increase provided that regulated base operating revenues are not increased more than once in any calendar year.

2. An applicant may select any test period it wishes to use to support its application.

3. Any increase in revenues under these rules shall be allocated in accordance with a properly designed cost of service study.

4. A cooperative which has outstanding wholesale power cost riders which reflect permanent changes in power costs approved by a regulatory agency shall adjust its base rates to reflect such changes at the same time it increases its rates in a rate application.

5. Except as otherwise provided herein, all applications for rate relief shall be filed in the original and 15 copies with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218.

6. An electric cooperative intending to file a rate application shall notify the State Corporation Commission ("commission") and all parties of record appearing in the cooperative's last rate case at least 60 days in advance of the filing of the application. Also, public notice of the intent to file a rate application shall be provided 60 days in advance of the filing of said application to all of the cooperative's customers, using any of the methods of publication set out in subdivision C 12 of this section.

7. The commission retains the right to waive any or all parts of these rate case rules for good cause shown.

8. An application shall not be deemed filed under §56-238 of the Code of Virginia unless it is in full compliance with these rules

9. If an applicant requests propriety treatment of testimony and/or data included in its filing, such filing shall not be deemed complete under any relevant provision of the Code of Virginia until a request for such treatment is properly disposed of by the commission.

C. An applicant may file a complete application for streamlined rate relief provided the following limitations are met:

1. The increase in total operating revenues as calculated in column (5) of Schedule 3 of Appendix A, included herein, is not more than the test period increase in the Consumer Price Index ("CPI"), or 5.0%, whichever is less. The CPI shall be defined as the Consumer Price Index for all Urban Consumers (CPI-U) for all items, as estimated by the U.S. Department of Labor, Bureau of Labor Statistics, and published in its Summary Data from the Consumer Price Index News Release, or its successor. As calculated in this publication, the percentage change in the CPI-U for a test year will be the index for the last month of the test year divided by the index for the same month one year prior, minus one, multiplied by 100; and

2. Earnings after the proposed increase must not produce financial ratios which exceed the level approved by the commission in the applicant's most recent general rate case.

Subject to the rules set forth below, a cooperative which files an application for streamlined rate relief may petition the commission requesting that its rates be made permanent no less than 30 days from the date the application is deemed complete and filed with the commission if there are insufficient customer objections to the application or if the commission does not suspend the proposed increase and convene a hearing.

3. A cooperative filing a rate application under the streamlined rate procedure shall not:

a. Increase rates by more than the increase in the test period CPI or 5.0% (whichever is less) of adjusted Virginia jurisdictional operating revenues;

b. Request earnings, after the proposed increase, which produce financial ratios that exceed those approved by the commission in the applicant's most recent general rate case;

c. Propose revisions to its terms and conditions of service; or

d. Propose revisions to its rate structure as part of its application.

4. The commission may, on its own motion, suspend a cooperative's proposed rate increase and tariff revisions pursuant to §56-238 of the Code of Virginia and may convene a hearing on the cooperative's streamlined application.

5. The commission may suspend a cooperative's proposed tariff revisions and increase in rates and shall schedule a hearing thereon if the lesser of 150 or 5.0% of the customers or other persons within a class and subject to a change in a rate, toll, or charge object to the proposed revision or increase in a rate or if the lesser of 150 or 5.0% of the customers or consumers or other persons subject to such rate, toll or charge of a cooperative object to the proposed rate or tariff revision.

6. The commission may, in its discretion, suspend an electric cooperative's rate increase and proposed tariff revisions in a streamlined rate proceeding on the motion of its own staff, on the motion of the Division of Consumer Counsel, or on the motion of any person subject to such change who requests a hearing and states a substantive reason why a hearing is necessary.
7. The requested rate increase for streamlined rate relief shall be supported by a fully adjusted financial status statement (Schedule 3 of Appendix A included herein).
8. Adjustments to test year cost of service shall be limited to the amount of increase or decrease that will be in effect during the rate year.
9. A cooperative shall not file more than three consecutive applications for streamlined rate relief; nor shall there lapse more than five years since the later of the date of the final order or the effective date of rates specified in the final order in the applicant's last general rate case when filing an application for streamlined rate relief.
10. An application filed under the streamlined rate procedure shall include:
 - a. The name and post office address of the applicant and the name and post office address of counsel of record, if any.
 - b. A brief narrative statement describing the change in rates and tariff revisions and explaining the need for a change in rates and tariff revisions. This statement shall include a description of the actions taken by the cooperative to advise its membership of the change in rates and contents of its application.
 - c. A copy of the resolution calling for a change in rates adopted by the Board of Directors of the cooperative.
 - d. A copy of the completed notice given to the public by the cooperative, including a description of the method of publication used.
 - e. Schedules 1 through 9 of Appendix A included herein.
11. Public notice of the increase and tariff revisions shall be completed 30 days in advance of the date the cooperative files its application for revised rates with the commission. Actual proof of public notice shall be furnished to the commission as part of the rate application.
12. The public notice of the increase and tariff revisions in an application for streamlined rate relief may be given by:
 - a. Direct mailing to each customer;
 - b. Publication in Rural Living magazine, or the cooperative's member publication;
 - c. Newspapers of general circulation in the area served;

- d. Any combination of these methods; or
- e. Any other method of publication authorized by the commission.

13. A copy of the notice shall be served on the Commonwealth's Attorney and Chairman of the Board of Supervisors of each county (or equivalent officials in the counties having alternative forms of government) in the state in which the cooperative offers service, and on the mayor or manager and the attorney of every city and town (or equivalent officials in towns and cities having alternative forms of government) in the state in which the cooperative offers service and upon the Division of Consumer Counsel, Office of the Attorney General. Service shall be made by either personal delivery or first class mail, postage prepaid, to the customary place of business of the person served or to his residence.

14. The public notice shall, at a minimum, include the following information:

- a. The amount of the total increase in revenues, both in percentages and dollar amounts;
- b. The percentage increase being applied to each of the cooperative's rate schedules;
- c. The identity of all wholesale power cost riders to be rolled-in to base rates;
- d. The locations where copies of the information required to be filed with the commission can be reviewed;
- e. The date the application will be delivered to the commission;
- f. A notice that any person subject to the change or changes proposed by the cooperative has the right to request a hearing within 30 days of the application's delivery to the commission;
- g. A notification that requests for hearing should be directed to the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218;
- h. A statement advising that the commission may convene a hearing, and if a hearing is held, the commission may order rate relief, redesign rates or adopt tariff revisions which differ from those appearing in the cooperative's application;
- i. A statement advising the public that if the lesser of 150 or 5.0% of the customers or other persons within a class and subject to a change in a rate, toll, or charge do not request a hearing, and if the lesser of 150 or 5.0% of the customers or consumers or other persons subject to such rate, toll or charge of the cooperative do not object to a rate change or tariff revision, the cooperative may petition the commission to make rates permanent without hearing within 30 days after the application is filed with the commission; and
- j. A statement advising the public of the cooperative's proposed effective date for its new rates.

15. If the commission determines that a hearing on the application for streamlined rate relief is required, then the commission shall issue a procedural order which, among other things, shall

specify the date by which the cooperative shall file with the Clerk of the Commission an original and 15 copies of any direct testimony the cooperative intends to rely on in support of its application, together with the remaining schedules set forth in Appendix A. That Order shall specify such additional notice of the hearing to the electric cooperative's members that the commission deems appropriate.

D.1. A cooperative seeking (i) an increase that produces financial ratios in excess of those allowed in the applicant's most recent general rate case; (ii) an increase in jurisdictional adjusted operating revenues of more than the test period increase in the CPI (as defined in subdivision 1 of subsection C of this section); (iii) revision of its terms and conditions of service; or (iv) to redesign or restructure its rates shall file an original and 15 copies of a general rate application with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218.

2. An application seeking a general rate increase shall include:

a. The name and post office address of the applicant and the name and post office address of counsel of record, if any.

b. A brief narrative statement describing the change in rates and tariff revisions and explaining the need for a change in rates and tariff revisions. This statement shall include a description of the actions taken by the cooperative to advise its membership of the change in rates and contents of the rate application.

c. A copy of the resolution calling for a change in rates adopted by the cooperative's Board of Directors.

d. All direct testimony which the cooperative intends to rely on in support of its rate application.

e. Exhibits consisting of the Schedules 1 through 13, found in Appendix A included herein. Such schedules shall be identified with the appropriate schedule number and shall be prepared in accordance with the instructions contained in Appendix A included herein and the following general instructions:

(1) Attach a table of contents to the cooperative's application, including exhibits.

(2) The applicant shall be expected to verify the accuracy of all data and calculations contained in and pertaining to every exhibit submitted, as well as support any adjustments, allocations or rate design upon which it relies.

(3) Each exhibit shall be labeled with the name of the applicant and the initials of the sponsoring witness in the upper right hand corner as shown below:

Exhibit No. (Leave Blank)

Witness: (Initials)

Statement or Schedule Number

The first page of all exhibits shall contain a caption which describes the subject matter of the exhibit.

(4) The required accounting and statistical data shall include three copies of all work papers and other information necessary to ensure that the items, statements and schedules found in the application are not misleading.

f. Exhibits consisting of additional schedules may be submitted with the cooperative's direct testimony. Such schedules shall be identified as Schedule 13 et seq. and shall conform to the general instructions contained in subdivision 2e of subsection D of this section.

g. The commission shall prescribe the general notice to be given to the public and the date by which such notice shall be completed in its procedural order.

h. The applicant shall serve a copy of the information required in subdivisions 2a through 2c of subsection D of this section upon the Commonwealth's Attorney and Chairman of the Board of Supervisors of each county or (equivalent officials in counties having alternative forms of government) in the state affected by the proposed increase and upon the mayor or manager and the attorney of every city and town (or equivalent officials in towns and cities having alternative forms of government) in the state affected by the proposed increase. The applicant shall also serve each such official with a statement that a copy of the complete application may be obtained by such official at no cost by making a request thereof orally or in writing to a specified company official or location. In addition, the applicant shall serve a copy of its complete application upon the Division of Consumer Counsel of the Office of the Attorney General in Virginia. All such service specified by this rule shall be made either by (i) personal delivery or (ii) first class mail, to the customary place of business or to the residence of the person served.

E. Effective with the adoption of these rules through 2007, cooperatives shall adhere to the following rules:

1. All rate increase applications made pursuant to the Virginia Electric Utility Restructuring Act (§56-576 et seq.) shall include the schedules required for general rate case, as set forth in Subsection D, above, as well as Schedules 14 - 22.

2. Each cooperative shall file annually a Financial Status Statement, Schedule 3, including columns (1) through (5) of lines (1) through (24), (29), (30) and (33) as well as supporting Schedules 4A and B, and 17 - 21.

F. Rate reductions and tariff revisions filed pursuant to §56-40 of the Code of Virginia shall be filed with the Division of Energy Regulation and shall include the following:

1. A descriptive statement of and justification for the tariff revision;
2. Load data if applicable;

3. A certified excerpt from the minutes of the cooperative's Board of Directors, wherein the Board approved the tariff revision;

4. Identification of all customers that may be eligible for the tariff revision;

5. A revenue impact study; and

6. An affidavit by the cooperative's manager that the proposed tariff revision affects no increase in rates.

G. These rules apply only to the applicant and do not limit the Commission staff or parties from raising new issues for Commission consideration.

H. Requests for temporary increases in rates filed pursuant to §56-245 of the Code of Virginia shall include Schedules 1, 2 and Columns (1) through (5) of Schedule 3.

I. Failure to comply with the rules governing streamlined rate applications or general rate applications may result in dismissal of the application, or may subject the cooperative to such other actions as the commission deems appropriate, including, but not limited to, prohibiting a cooperative from filing an application for streamlined rate relief for a period of time specified by the commission.

APPENDIX A. SCHEDULES REQUIRED FOR A STREAMLINED OR GENERAL RATE APPLICATION

Schedule Number Streamlined Rate Proceeding Schedules

1 Comparative Balance Sheets

2 Comparative Income Statements

3 Financial Status Statement

4A and B Detail of Ratemaking Adjustments

5A and B Proposed Rates and Tariffs and Revenue Allocation

- 6 Sample Billing
- 7 Class Cost of Service Study
- 8 Capital Structure
- 9 Affiliate Transactions

Schedule Number General Rate Proceeding Schedules

- 1 Comparative Balance Sheets
- 2 Comparative Income Statements
- 3 Financial Status Statement
- 4A and B Detail of Ratemaking Adjustments
- 4A and B Proposed Rates and Tariffs and Revenue Allocation
- 6 Sample Billing
- 7 Class Cost of Service Study

- 8 Capital Structure
- 9 Affiliate Transactions
- 10 Net Original Cost Rate Base
- 11 Working Papers for Ratemaking Adjustments
- 12 Revenue and Expense Variance Analysis
- 13 Jurisdictional Allocation

Schedule 1

Comparative Balance Sheets

Instructions: Provide a publicly available comparative balance sheet for the test period and the corresponding 12-month period immediately preceding the test period for the applicant.

Schedule 2

Comparative Income Statements

Instructions: Provide a publicly available comparative income statement covering the test period and 12-month period immediately preceding the test period for the applicant.

Schedule 3

Financial Status Statement

Instructions: Use the format of the schedule identified as Schedule 3 in this Appendix.

Adjustments in Column (2) reflect any financial differences between Generally Accepted Accounting Principles (GAAP) and ratemaking accounting as prescribed by the State Corporation Commission. An example of such an adjustment would include, but would not be limited to, the reclassification of capital leases to operating leases. Each Column (2) adjustment shall be separately identified and shown using the format prescribed for Schedule 4A and 4B.

Column (4) shall reflect total nonjurisdictional operations. Jurisdictional allocation factors used to determine nonjurisdictional business in Column (4) amounts shall be fully supported and explained in Schedule 12 for general rate filings.

Each Column (6) adjustment shall be separately identified and shown in Schedule 4A and 4B. In a streamlined rate proceeding, adjustments reflected in Column (6) of Schedule 3 which do not incorporate ratemaking treatment approved by the commission in the utility's last general rate case shall be identified as new proposed adjustments in Schedule 4A and 4B.

Riders reflected on line 4 shall be separately listed to include a line for each rider in effect during the test year or projected for the rate year. The amount of other income and other expense shown in Column (5), lines 20 and 23, shall be the current amount recognized as jurisdictional in the applicant's last general rate case. Amounts reflected on line 33 shall be actual cash receipts.

Lines (29), (30), (31), and (32) shall be based on the following definitions:

Line 29. $\text{TIER} = \text{Total Margins (Line 24)} +$

$\text{Interest on Long-Term Debt (Line 21)}$

$\text{Interest on Long-Term Debt (Line 21)}$

Line 30.

$\text{DSC} = \text{Total Margins (Line 24)} + \text{Depreciation and Amortization}$

$\text{Expense (Line 11)} + \text{Interest on Long-Term Debt (Line 21)}$

$\text{Total Principal Payments} + \text{Total Long-Term Interest Payments}$

Line 31.

Rate of Return on Rate Base = Operating Margins Adj. (Line 18)

Total Rate Base (Line 28)

Line 32.

Rate of Return on Margins and Equities = Total Margins (Line 24)

Total Margins and Equity

Capitalization (Schedule 8)

Schedules 4A and 4B

Detail of Ratemaking Adjustments

Instructions: Use format of the schedule identified as Schedule 4A and 4B to this Appendix. Each adjustment shall be numbered sequentially and listed under the appropriate description category (Base Rate Revenue, Fuel-WPCA Revenue, Purchased Power, etc.). The impact on cost of service from each adjustment shall be detailed in Columns (1) through (16).

Each ratemaking adjustment shall be fully explained in a supporting subschedule 4B to this schedule.

Detailed workpapers substantiating each adjustment shall be provided in Schedule 10 for general rate filings.

Schedule 5A and 5B

Proposed Rates and Tariffs, and Revenue Allocation by Class

Schedule 5A Instructions:

Provide a copy of each tariff sheet with the revisions the cooperative proposes to implement. For general rate applications, provide a copy of all tariffs and Terms and Conditions of Service Sheets proposed for revision containing the revised language.

Schedule 5B Instructions:

Provide a class revenue allocation analysis showing, by class, the present revenue recovered from each class, the proposed increase in revenue to be recovered from each class, the total proposed revenue to be recovered from each class, and the percentage of increase in total revenue to be recovered from each class.

Schedule 6

Sample Billing

Instructions: Provide a sample billing analysis showing the effect on customers of the proposed tariff changes at various levels of consumption, for all classes of service.

Schedule 7

Class Cost of Service Study

Instructions: A. Each streamlined rate application shall include a copy of the cost of service study used to determine the allocation of revenues to each class. The cost of service study shall be based on per books data which is no more than five years old. Each general filing shall include a copy of the cost of service study used to allocate the increase or to adjust rate design. The data used in a cost of service study submitted in a general rate case shall use the same test period as used in the cooperative's general rate application.

B. Each cost of service study shall consist of the following schedules:

1. For multi-state cooperatives, provide total system rate base, revenue and operation and maintenance expenses by account number, or major account group showing separation between Virginia and nonjurisdictional operations.
2. Provide a jurisdictional financial status statement in the format of Schedule 3, column (5) of Appendix A for each customer class and the return provided by these classes.
3. For all service schedules, present the unit cost per kilowatt, kilowatt hour, and customer resulting from the cost study. Include the kilowatt hours, demand, and number of customers, as well as the total cost for each component by class and the allocated rate base by class, as support for the unit costs derived.

4. If directed by the commission, the cooperative shall collect and maintain separate expense, rate base, and revenue data on nonjurisdictional consumers within Virginia.

5. For all service classes, provide a schedule of consumers by service class indicating the total number of customers in the class and the number of nonjurisdictional consumers in Virginia in the class.

Nonjurisdictional consumers in Virginia include government agencies: federal, state, local, and regional government authorities. If there are nonjurisdictional consumers in any class, this schedule must be accompanied by a list of all such nonjurisdictional consumers by service class and their usage characteristics.

6. Provide a short narrative describing the cost of service study methodology employed. This narrative shall include the following information:

(a) Identification and description of the classification used to assign rate base as demand, energy, or customer related. Specifically, include the classification methodology used to differentiate between demand and customer components of distribution plant; and the customer classification used in the study, i.e., minimum system, minimum size, zero intercept, etc.

(b) Identification of the allocation methodology used for assigning rate base, revenue, and expenses to customer classes. For demand allocation method, e.g., average and excess, noncoincident peak; customer allocation method, e.g., number of customers, weighted customers, etc.

(c) Provide a table showing the kilowatts, kilowatt hours, number of customers allocated to each class, including the derivation of the demand, energy, and customer allocators for each class.

7. Provide a list of classification and allocation factors used.

8. Provide a copy of the actual study by account or primary account. The primary accounts shall identify the secondary accounts included by account number. Indicate which allocators and classifiers were used to assign each account.

Schedule 8

Capital Structure and Cost of Debt Statement and Supporting Schedules

Instructions: Use the format of the schedule identified as Schedule 8 in this Appendix. Column (1) shall reflect the per books capital structure at the end of the test year. Data in Column (1) shall be compatible with the applicant's publicly available financial statements. Adjustments in Column (3) reflect any financial differences between Generally Accepted Accounting Principles and ratemaking accounting as prescribed by the commission. Each Column (3) adjustment shall be separately identified in a supporting schedule, if not already identified in Schedule 4A or 4B.

Schedules shall be provided to support the amounts and cost rates of short- and long-term debt in Columns (4) and (6), respectively, and the adjusted amounts and cost rates in Columns (8) and (10), respectively. Each issue of long-term debt shall be listed with its corresponding interest rate, date of issue, maturity, and lending institution(s) or other source(s). Short-term debt shall be listed with a high, low, ending, and average balance for each month, a weighted average interest rate for each month, and the name of the lending institution(s) or other source(s).

Schedule 9

Affiliate Transactions

Instructions: For purposes of this schedule affiliate services shall be defined to include those transactions between regulated and non-regulated divisions of an incumbent utility. Provide a narrative description of each affiliated service received or provided during the test period.

Provide a summary of affiliate transactions detailing costs by function for each month of the test period. Show the final account distribution of all costs billed to or by the regulated entity by month for the test period.

Identify all amounts billed to an affiliate and then billed back to the regulated entity. Provide cost records and market analyses supporting all affiliated charges billed to or by the regulated entity/division. This shall include supporting detail of costs (including the return component) incurred by the affiliated interest rendering the service and the allocation methodology. In situations when the pricing is required to be the higher (lower) of cost or market and market is unavailable, note each such transactions and have data supporting such a finding available for commission staff review.

If affiliate charges are booked per a pricing mechanism other than that approved by the Commission for ratemaking purposes, the regulated entity shall provide a reconciliation of books to Commission-approved pricing, including an explanation of why the Commission-approved pricing is not used for booking purposes.

Schedule 10

Net Original Cost Rate Base

Instructions: Use the format of the schedule identified as Schedule 9 in this Appendix. Adjustments in Column (2) reflect any financial differences between GAAP and ratemaking accounting as prescribed by the State Corporation Commission. Each Column (2) adjustment shall be separately identified and reflected using the format prescribed for Schedule 4A and 4B.

Column (4) shall reflect total nonjurisdictional business. Allocation factors used to determine nonjurisdictional business in Column (4) shall be fully supported in Schedule 12. Each Column (6) adjustment shall be separately identified and reflected in Schedule 4A and 4B. In a streamlined rate proceeding, adjustments reflected in Column (6) of Schedule 3 which do not incorporate the ratemaking treatment approved by the commission in the utility's last general rate case shall be separately identified as new proposed adjustments in Schedule 4A and 4B.

Schedule 11

Working Papers for Ratemaking Adjustments

Instructions: Provide detailed workpapers and supporting schedules of all proposed adjustments. Each supporting document shall identify the origin of the data shown. Also, indicate whether data is actual or estimated. Working papers shall be numbered, indexed and tabbed for each adjustment. Two copies shall be filed with the Division of Public Utility Accounting, and one copy of the working papers shall be filed with the Division of Energy Regulation.

Schedule 12

Revenue and Expense Variance Analysis

Instructions: The cooperative shall quantify jurisdictional operating revenues and system operating and maintenance ("O&M") expenses by primary account during the test period and the preceding 12 months. Also, provide jurisdictional sales volumes by customer class for the test period and the preceding 12 months.

The cooperative shall provide a detailed explanation of all jurisdictional revenue and system expense increases and decreases of more than 10% during the test period compared to the previous 12-month period. The expense variance analysis applies to test period expense items greater than two-hundredths of 1.0% (.0002) of total O&M expenses for all cooperatives with total operating expenses exceeding \$50 million, and five hundredths of 1.0% (.0005) of total operating expenses for cooperatives with total operating expenses below \$50 million.

Schedule 13

Jurisdictional Allocation

Instructions: Provide summary schedules by primary account reflecting all revenue, expense, and rate base items allocated to the Virginia jurisdiction. If directed by the commission, this schedule shall include allocations relating to nonjurisdictional Virginia consumers as well as out-of-state operations. Provide working papers to support all calculated amounts, including the development of allocation factors.

Provide a narrative explanation and justification of the allocation methodology used. Discuss any changes in the applicant's operations which materially affect any allocation factor.

Electric Utility Restructuring Act Addendum

Electric Cooperatives

Schedule 14 – Balance Sheet - Projected

Instructions: Provide projected balance sheets for each calendar year through 2007. Projections should be consistent with amounts for RUS financing in RUS Form 325A. Other financial forecasts that extend through 2007 may be used if RUS projections cease to remain applicable. Any deviations from the assumption used for RUS Form 325A should be noted and fully explained.

Schedule 15 - Income Statements - Projected

Instructions: Provide projected income statements for each calendar year through 2007. Projections should be consistent with amounts for RUS financing in RUS Form 325A. Other financial forecasts that extend through 2007 may be used if RUS projections cease to remain applicable. Any deviations from the assumption used for RUS Form 325A should be noted and fully explained.

Schedule 16 - Capital Structure - Projected

Instructions: Provide Capital Structure and Cost of Debt Statements for each calendar year through 2007. Projections should be consistent with amounts for RUS financing in RUS Form 325A. Other financial forecasts that extend through 2007 may be used if RUS projections cease to remain applicable. Any deviations from the assumption used for RUS Form 325A should be noted and fully explained.

Schedule 17 - Earnings Test Expense Recovery

Instructions: Use format of attached schedule.

Line 2, weighted average long-term debt, shall be from Schedule 3. Line 5, adjusted total margins, shall be from Schedule 4.

Line 7 shall be the gross-up factor(s) shall included only the applicable federal income tax rate specific to the regulatory asset(s) being written-off.

Schedule 18 - Schedule of Regulatory Assets

Instructions: Use format of attached schedule.

All regulatory assets shall be individually identified. Indicate whether the regulatory asset is included in financial reporting or is currently established for ratemaking purposes only.

Schedule 19 - Reconciliation of Changes in Earnings – Earnings Test

Instructions: Use format of attached schedule.

Regulatory accounting adjustments shall be listed under the appropriate description category (revenue, operating expense, rate base, etc.).

Column (1) shall include the amount of the adjustment from Schedule 4.

Schedule 20 - Detail of Restructuring Act Adjustments

Instructions: This schedule shall be file in addition to Schedule 4.

Use format of attached schedule.

Each adjustment shall be numbered sequentially and listed under the appropriate description category (operating revenues, interest expense, common equity capital, etc.).

Restructuring Act adjustments shall reflect a annual going-forward year level of revenues, expenses, and rate base consistent with Virginia Code §56-582. Schedule 3 shall reflect these adjustments in two additional columns after Column (7). Column (8) shall be titled Restructuring Act Adjustments.

Provide an explanation why some costs (by function) remain at a test year level. Additionally, describe and detail how increases in productivity have been factored into each cost whether adjusted or remaining at a test year level.

Detailed workpapers substantiating each adjustment shall be provided in Schedule 21.

Schedule 21 - Workpapers for Restructuring Act Adjustments

Instructions: This schedule shall be filed addition to Schedule 10.

Provide detailed workpapers and supporting schedules of earnings test as well as ratemaking adjustments. Each supporting document shall identify the origin of the data shown.

Include 10-years actual and budgeted historical data for each adjustments. For projected adjustment amount, identify budget information as preliminary or final. If preliminary, indicate when final budget is anticipated.

Include a narrative of budgeting methodology as well as any significant changes that have occurred during the ten years.

Working papers shall be indexed and tabbed for each adjustment. Two copied shall be filed with the Division of Public Utility Accounting and one copy to the Division of Energy Regulation.

Schedule 22 - Functional Unbundling

Instructions: Use the format of attached schedule.

Provide cost of service studies that identify the costs associated with the functional areas of generation (production), transmission, distribution and customer.

Provide cost breakouts for sub-components of functional areas such as primary and secondary distribution, metering, billing and maintenance. Report cost functions and sub-components on summary sheets by both system and class.